

~~SECRET~~

SAFC-4539
Copy 8 of 8.

16 March 1956

MEMORANDUM FOR : Director of Central Intelligence

SUBJECT : Contract Provisions for American Pilots
under Project AQUATONE

REFERENCES : Tab "A" - Existing Contract with Memorandum of
Understanding re Life Insurance Attached

Tab "B" - Proposed Revision of Contract Incorporating
a New Bonus Provision and Incorporating Specific
Provisions Concerning Life Insurance

Tab "C" - Memorandum Signed by the Pilots Requesting
Adjustments of the Bonus Clause

Tab "D" - Proposed Letter of Appointment

1. This memorandum contains recommendations submitted for DCI approval. Such recommendations are in paragraphs 3 and 6.

2. Under the existing contracts with the pilots, their salary while abroad is established at \$1,500.00 per month. In addition the contract provides for the accumulation of \$1,000.00 per month while abroad to be paid, however, only upon completion of the contract and provided the termination is not for cause. These arrangements were orally approved by you on 30 December 1955.

3. The pilots as a group have protested the inequity of this existing bonus clause and have requested in a joint memorandum that in effect the bonus be credited on a monthly basis although agreeing to a delayed payment. Their request in effect amounts to treating the bonus as current salary. This matter has been reviewed with the pilots by a representative of the Office of General Counsel and agreement was obtained from all the pilots for a new provision in which the Detachment Commander concurs and in which I concur. The revision would provide that \$500.00 per month in addition to the \$1,500.00 be accrued monthly as current salary although for tax purposes it would not be payable until the succeeding calendar year. An additional \$500.00, thus accounting for the original \$1,000.00 per month bonus, would be treated in substantially the same manner as the old bonus amount and would be payable only upon successful completion of the contract and would be defeated and would not be payable if the individual were terminated for cause. There are other minor adjustments in the contract which do not change the basic concept or basic obligations. In view of your previous approval of the existing bonus clause, it is recommended that you approve the new bonus clause.

~~SECRET~~

-2-

b. In their interview with the representative of the Office of General Counsel the pilots requested that their memorandum be brought to your attention so that you would be aware of their views. It is true, however, that they agreed they would accept the proposed revisions as indicated. However, to grant their request in toto would drastically change the original concept of the contract and I believe that the proposed revisions are a reasonable compromise between the original concept and the requests of the pilots.

5. With respect to life insurance, the Agency had committed itself, among other policies, to provide Agency coverage in the amount of \$20,000.00. The underwriter was not specified other than the organization although it was hoped at the time we could secure a commercial underwriter as in the other two policies. This has not proved feasible. As it now stands, if the Agency were to pay this \$20,000.00 from appropriated funds in the event of death, under existing law as interpreted by the Bureau of Employees Compensation they would be required to offset this \$20,000.00 paid by the Agency against benefits payable by BEC to the beneficiaries under the Federal Employees Compensation Act. This could well delay any payment of "pension" for three to four years.

6. The only existing bar to covering these individuals under the provisions of the Federal Employees Group Life Insurance program (Eisenhower Insurance) is the fact that there is a regulatory exclusion for contract employees. It has been determined that there is no legal bar to the Agency appointing these employees which in effect establishes a special category of appointed employees separate and distinct from normal staff employees. There has been prepared a sample letter of appointment to accomplish this purpose which would be signed by the Director of Personnel. Under existing Agency regulations it is believed necessary that you authorize the Director of Personnel to sign these appointment letters. Therefore, it is recommended that you so authorize the Director of Personnel for the purposes of Project AQUATONE only.

The recommendations in paragraphs 3 and 6 are approved.

ALLEN W. BULLIS
Director

Attachments - 4
Tabs "A", "B", "C", and "D".

OGC;PCS/DCI:RMB/hh

19
RICHARD M. BISSELL, JR.
Special Assistant to the Director
for Planning and Coordination

25X1A9a

CONCUR:

~~SECRET~~